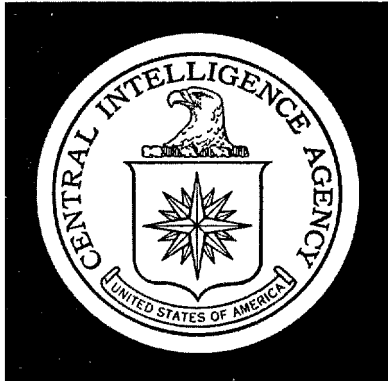


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State Dept. review completed

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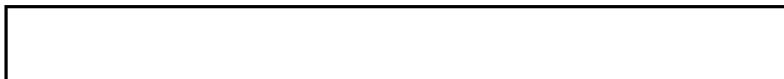
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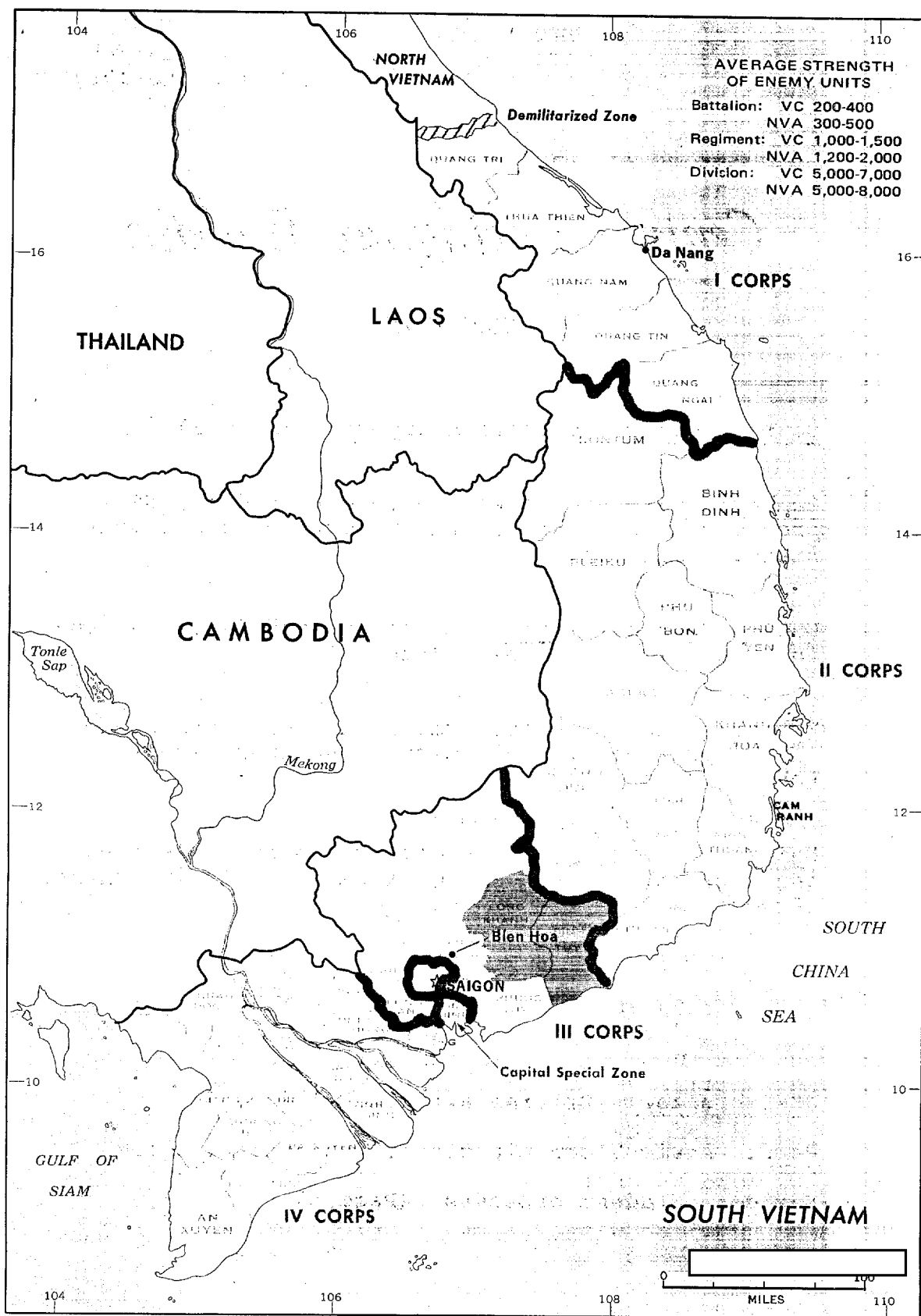
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South Vietnam: Small Communist sapper units are on the offensive south of Da Nang and in provinces north and northeast of Saigon, but the rest of the country is relatively quiet.

A US Marine command post at Da Nang was attacked for the second day in a row on 12 June. The Communists have been active in this area since 7 June and have lost nearly 300 men. The Bien Hoa military complex was shelled with almost 40 122-mm. rockets. A US position near the Long Khanh - Binh Tuy border was also struck. There is some sporadic shelling and limited reaction to allied sweep operations, but in general the enemy is standing down and probably preparing for another round of shellings and small ground attacks similar to those launched in the first week of June.

* * * *

Buddhist militant leader Thich Tri Quang is testing the political waters again. He sought out US Embassy officials last week to complain that the Thieu government was ignoring the Buddhists in its efforts to organize non-Communist political forces for future competition with the Communists. Quang argued that the government would need the Buddhists in order to compete with the Communists successfully, but that the Buddhists could never support either Thieu or Ky. Quang did not volunteer the names of any leaders he could support, however. Throughout the conversation, the Buddhist monk maintained an anti-Communist tone; he was probably trying to re-establish his credentials with the Americans. He was also probably trying to get some reading on US intentions toward the Thieu government.

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The Koreans are very sensitive to the financial aspects of their support to South Vietnam. In addition to the payments they receive for the support of combat troops, the Koreans have extensive commercial operations in Vietnam, and in 1969 the government expects to earn a total of \$160 million from all these activities.

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(Map)



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Cambodia-US: Sihanouk's main purpose in declaring that he is ready to re-establish diplomatic relations with the US probably is to place Cambodia in a better position to put further pressure on the Vietnamese Communists.

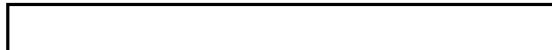
In his statement on 10 June to the Council of Ministers, Sihanouk argued that relations with the US would enable Cambodia to avoid becoming "too isolated." He implied that an official American presence would improve Cambodia's ability to resist pressures from both local and Vietnamese Communists, and would strengthen his hand in present military and diplomatic efforts to limit Vietnamese activity in Cambodia.

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Sihanouk also went to considerable lengths to justify a renewal of diplomatic relations on economic grounds. Citing the predominant US influence in such international programs as Mekong River basin development and the International Monetary Fund, he claimed that improved relations with Washington would make available more resources for Cambodian development. Attracting foreign investment has been a major theme in Phnom Penh's current plan to revitalize the country's lethargic economy. Sihanouk rejected, however, the idea of asking for direct US aid for fear it would be "conditional." 

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USSR - Southeast Asia: Moscow is recalling a number of its ambassadors to Asia, presumably for a comprehensive review of its policies in that part of the world.

The Soviet ambassador to Laos has already returned, and most of Moscow's other ambassadors in the Far East and Southeast Asia are also returning.

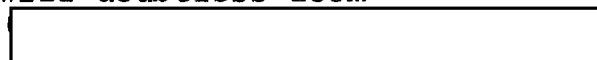


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Moscow may want to review prospects of progress toward settling the Vietnam conflict, and to formulate a policy for Asia in the postwar era. Brezhnev's remarks to the world Communist conference on the need for consideration of a system of "collective security" in Asia provide good evidence that Moscow has been devoting attention to its future policy in this area.

Moscow may also be influenced by the apparent return to some semblance of normalcy in China's diplomacy since the ninth Chinese party congress in April. Chinese ambassadors have already returned to North Vietnam and Cambodia after two-year absences, and the Soviets probably will want to consider the effect of this on their own position.

There is no information at this time that the meeting is related to current Sino-Soviet border tensions, but this subject will doubtless loom large in the discussions.



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France: A vigorous Communist campaign urging voters to abstain in the presidential runoff on Sunday is a further blow to underdog Poher.

The Communists have now implied that they will watch closely to assure that the party directive to boycott the election is not ignored. This new element in the Communist effort will make it even more difficult for Poher to round up the left-wing votes he must have to win.

Jacques Duclos, the Communist candidate in the first round, stated recently that "there will be eyes everywhere to mark would-be cheaters who try to make voluntary abstainers vote." Duclos ostensibly referred to any attempts to rig the votes, but to many Frenchmen the implication was that "Big Brother" would be watching to scare off potential voters.

A recent poll shows that 33 percent of the electorate is now planning to abstain, a rise of 11 percent over those who abstained on the first ballot. A Ministry of Interior official stated that a 60-percent abstention rate among Communist voters did not seem unreasonable and that a higher rate was possible.

Communist leaders, according to informed sources, hope the abstention rate will be sufficiently high to support the claim that a majority of Frenchmen actually are opposed to Pompidou, the probable winner in the runoff. This argument has little practical force, however. Even if Pompidou won with less than a majority of the entire electorate, he would nonetheless be elected for seven years to an office of great power, and he would be backed by a massive Gaullist parliamentary majority.

The election campaign officially closes today. Polls show Pompidou dropping over the past 10 days from 57 to 55 percent and Poher up from 43 to 45. Pompidou's 55 percent is approximately the vote De Gaulle won in the runoff ballot in 1965. [REDACTED]

[REDACTED]

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NOTES

UK-Gibraltar: London sees little gain in retaliating against Spain for Madrid's closing of land access to Gibraltar, and is concentrating instead on keeping "the Rock" viable. The British say that essential services are being maintained, but they acknowledge that losing the several thousand Spanish workers who can no longer enter the colony will in time cause problems. The British may eventually bring in more foreign workers. As of now they do not believe Madrid intends to interfere with air or sea access. The British Government enjoys broad support at home for its policy on Gibraltar. [REDACTED]

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Peru: General Jose Benavides, one of the leading moderates in the military government, resigned his post as minister of agriculture on 11 June, after several disagreements with Velasco over government policies. Benavides has been widely regarded as one of the strongest contenders for the presidency after Velasco.

Velasco is probably happy to see this potentially serious opponent depart. For his part, Benavides, who has wide support among the lower ranking officers in the army, may believe that he will be in a better position for an eventual move against Velasco if he is outside the government. Immediately, however, the loss of Benavides will weaken the moderates' position in the administration.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board, on 12 June 1969, approved the following national intelligence estimate:

NIE 11-10-69 "Trends and Prospects in
Soviet Maritime Activities"



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